

Charity Bank

Financing your projects



Bob Dyke Senior Development Manager
Land for People

What is Charity Bank?



Charity Bank is more than just another bank.

It represents a new way of thinking about charity.

Gordon Brown



The Bigger Picture: The staircase approach to funding

Amount of
funding



Why loan finance?

- Renting when you could be buying?
- Cash-flow problems?
- Frustrated by delays in getting paid?
- Need "the last brick" for a fundraising campaign?
- Ready to increase the scale of your activities, but need to invest in resources?
- Looking to invest in income generation?

Why Charity Bank?

- Other banks might not consider
- No personal guarantees from Trustees
- No early repayment penalties
- No need to change banks
- Understanding of the charitable sector
- We are a charity ourselves
- Affordable loans



When loan finance is not appropriate

- To fund losses
- No confirmed income
- Inability to service debt
- When trustees are reticent to borrow
- When no borrowing powers are evident

Terms and Conditions

Who we lend to

- registered or exempt charity or not for profit organisation

Loan size

- £5,000 to £1m
- Mixed funding packages
- Loan Brokerage

Loan term

- 6 months to 25 years

Charges and Security

Charges

- Not linked to bank base rate
- Generally between 5% & 7% per year
- 1% one-off administration charge (no early repayment charge)

Security

- We may lend unsecured

Repayment

- Monthly by direct debit



Hallmark of
Innovation
*IFB/Deloitte Financial
Innovation Awards*
Winner-2005

Hastings Trust



Kemp Town Crypt



**Hallmark of
Innovation**
*HSB/Deloitte Financial
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Winner-2005

UK Charity Awards
Winner **35**

Same Sky



Old Hastings Preservation Society



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UK Charity Awards
Winner **35**

Headcorn Village Hall



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Old Post Generation Association



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Library Picture



Old Post Regeneration Association



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UK Charity Awards
Winner **35**

Martha Trust



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Martha Trust



Martha Trust



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*28th Deloitte Financial
Innovation Awards*
Winner-2005

UK Charity Awards
Winner **35**

PCC of St Michael's and All Angels Macclesfield



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Winner-2005



Brockweir & Hewelsfield Community Shop



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UK Charity Awards
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Brockweir & Hewelsfield Community Shop



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Mull Butchers Shop



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Ardingly Old Jeshwang Association



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Winner-2005

UK Charity Awards
Winner **35**

Holsworthy Community Property Trust

- £220,000 short-term loan
- Assisted with the purchase of 5 properties from a developer
- S106 contained a mortgagee in possession exclusion clause
- Properties sold to local people on an equity share basis
- Scheme completed and properties sold



Holsworthy Community Property Trust



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Holsworthy Community Property Trust



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Other CLT 'activities'

- Castle Caereinion CLT
- An East Anglian CLT providing start-up business units
- A west country trust providing accommodation for people with learning difficulties
- Wye Community Land Trust
- Buckland Newton CLT
- Oxfordshire CLT
- Cornwall CLT
- Community Finance Solutions
- National CLT Conference

How can we help with your projects?

- Get us involved at an early stage
- Run sensitivity analysis on business plans
- Comment on 'bankability' of the project
- Provide letters of support
- Get involved in discussions / negotiations re S106 agreements
- Provide comfort of knowing funding is available
- For larger loans we can 'package' deals

S106 agreements

- Terms are of utmost importance to lenders
- Mortgagee in Possession exclusion clause - terms
- Restrictions on future use – i.e. affordable housing in perpetuity
- Can limit the value of land or properties
- May create difficulties in raising development finance
- Definition of 'affordable' both in terms of sale and rents

Issues for Charity Bank (2)



Demand

- Market tested demand for properties
- Definition of qualifying person and cascade arrangements
- Letters of interest
- Evidence of affordability
- Sale price / rent comparators



Issues for Charity Bank (3)



Share issues

- Committed returns on investments
- Obligation to buy – back shares
- Duration of investment
- What happens on the death of an investor?
- Powers of investors – our interest must always rank ahead
- A few investors V larger number of smaller investors



Issues for Charity Bank (4)



Ability to repay

- Service interest or interest roll-up
- Structured repayment profiles to reflect cashflow forecasts
- Debt servicing cover
- Assumptions re rent levels
- Powers in the event of non-payment by tenants / shared equity owners



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Taking things forward – what do we need ?

- Description of project
- Business plan including financial forecasts
- Evidence of demand
- Details of local house prices / housing benefit levels / local housing allowances
- Copies of S106 agreements, leases, equity share documentation
- Trustee / director details
- Evidence of availability of mortgages to individuals (we don't provide these)

Contact Details

If you have any specific queries or you would like us to consider funding for your project please contact:

Carolyn Sims

Senior Lending Manager

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email: csims@charitybank.org

